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C O N F I D E N T I A L DAMASCUS 000567

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EB/TRA/OTP FOR GUSTAVSON/DAYTON, NSC FOR MARCHESE/SINGH,
COMMERCE FOR ROBERTS/CHRISTINO

E.O. 12958: DECL: 06/11/2017

TAGS: [EAIR](#) [ECON](#) [ETTC](#) [PREL](#) [SY](#)

SUBJECT: SYRIAN PRIVATE AIRLINES: SAME LEOPARD, NEW SPOTS

REF: A. 06 DAMASCUS 03864

[1](#)B. DAMASCUS 0480

Classified By: Charge d'Affaires William Roebuck, for reasons 1.4 b/d

[1](#)1. (C) Summary. The SARG has dusted off two options to upgrade its aging fleet of commercial aircraft: buying Russian planes, or leasing Boeing or Airbus planes with assistance from ICAO/UNDP. President Asad's cousin, Rami Makhlouf, appears to be progressing with his plan to establish a private airline to fly SAA routes. End Summary.

[1](#)2. (C) Recently the SARG resurrected last year's plan of purchasing Russian-built aircraft to expand their aging fleet (ref A). Technical details for seven long- and short-range jets are being considered before a decision is made, according to media reports. This review phase is the same place negotiations have been at since summer 2006. Syrian Arab Airlines (SAA) Technical Director Moheiddin Issa has told EconOff on several occasions that SAA doesn't really want the Russian planes, but hopes to pressure the West into allowing a SARG tender for Airbus or Boeing aircraft. The SARG has also again publicly raised the idea of ICAO/UNDP assistance in procuring leased aircraft, presumably to circumvent the effects of U.S. sanctions on Syrian airlines.

[1](#)3. (C) In addition, the SARG is pursuing a new version of an old option: a multi-national company operating a private airline in Syria. A previously announced three-way partnership has recently progressed (ref B). The new Ajnihat al-Cham Company has reportedly leased a new aircraft which soon will be examined to receive an operational certificate. Minister of Transport Ya'rub Badr said that SAA will have 25 percent of the new company's shares, with the rest divided between the Cham Holding Company (in which Asad cousin Rami Makhlouf is a major player), which has financial capacity, and Kuwaiti al-Aqeela, which owns the needed airplanes. Cham PR staffer Ms. Nadia Hussaini said the company plans to start in July with flights to Iraq. (Note: The Kuwaiti al-Aqeela company signed an agreement in December 2006 on a USD 200 million project for upgrading and expansion of the important Shia Sayeda Zeinab Shrine and development of a nearby hotel and commercial mall. In January 2007 the same company announced the purchase of 2,500 acres to develop 50,000 middle-income housing units in the governorate of Damascus, with reported plans for an additional 50,000 units over the next three years. End Note.)

[1](#)4. (C) The SARG has recently taken steps to make it domestically easier for private airlines to operate here, including expanding permitted routes and establishing an incredibly low annually renewed bank guarantee of USD 100,000

(five million Syrian Pounds). Organization for Civil Aviation (CAO) Director of Safety Khaled Ibrahim recently told local media, however, that the bank guarantee may soon be raised to USD 1 million (50 million Syrian Pounds). Ajnihat al-Cham may therefore be the only company to profit from the current low rate. Ibrahim went on to say that private airlines in Syria would fill a growing need, because U.S. sanctions are hindering activities of the public SAA, he asserted. Ibrahim added that private airline companies can lease aircraft without concern for U.S. sanctions because the leased planes will remain registered in the countries from which they were leased.

15. (C) Comment: Despite the public resurrection of the Russian and ICAO/UNDP options, no real headway appears to have been made. Makhoulf has several irons in the fire regarding airlines in Syria - prior reports were that he formed a charter company based in the Virgin Islands which would take over SAA's regional routes, leaving the struggling airline with the less profitable long-haul destinations. This latest effort of Makhoulf's is unlikely to succeed despite SARG confidence and local comparisons to the "Libyan model", in which Libya was apparently able to lease aircraft for its national carrier during U.S. sanctions against them.
ROEBUCK